Journal of Legislation

Volume 13 | Issue 2 Article 5

1-1-1986

Save the Small Farm - The 1985 Farm Bill Is Not the Answer;Note

Joseph W. DeLave

SAVE THE SMALL FARM? THE 1985 FARM BILL IS NOT THE ANSWER

INTRODUCTION

The congressional debate over the future direction of American agriculture has just ended.[1] Despite strong lobbying from the Reagan administration and various agricultural groups to cut the tether binding farmers and the federal government,[2] America's newest farm bill leaves much of the New Deal income support legislation intact.[3] The bill is the product of an election-conscious Congress swayed by powerful sentiment for struggling family farmers.[4] Unfortunately, continuation of past commodity programs, which many analysts find "demonstrably counterproductive,"[5] will only perpetuate the family farmer's problems.

The face of agriculture has changed dramatically over the last fifty years. The farm sector's heterogeneity prevents any one common problem from affecting to the same extent the vast majority of farm businesses. Aggregate indicators for the sector, for example, do not confirm reports that farmers are on the verge of bankruptcy.[6] Yet over 243,000 farmers owe

1. On December 23, 1985, Congress approved the Food Security Act, Pub. L. No. 99-198, 99 Stat. 1354, commonly known as The Farm Bill.
2. *Administration's Farm Bill Aims to Reverse Course Set in 1930s,* 43 CONG. Q. WEEKLY REP. 396 (1985). The administration's farm bill was meant to put U.S. agriculture on a "market-oriented" track by providing minimal aid to farmers and thereby indirectly forcing lower market prices for their goods. The bill assumed that reductions in per-unit prices would generate greater volumes of sales. It proposed sharply lowering the commodity loan rates which have traditionally set minimum market prices, virtually eliminating income supplement payments to farmers by phasing them down to the same level as loan rates, and ending authority for two types of grain reserves said to depress market prices.
3. The chief tools of federal farm policy were—and remain—these: price-support loans, income supplements, and production controls. *Administration's Plan to Cut Aid Leaves Congress Divided, Farm Groups in Disagreement,* 43 CONG. Q. WEEKLY REP. 138 (1985).
4. This analysis focuses on wheat and feed grain commodity programs which affect family-size farms with annual sales between $20,000 and $200,000. There are an estimated 800,000 farms in this category, accounting for 40% of all farms and 41% of all sales of agricultural products. They tend to be family owned and operated businesses, although many rent additional land. On average, they receive less income from off-farm sources than any other size group.
5. *Toward the Next Generation of Farm Policy, In U.S. Cong. Joint Econ. Comm.,* 98th Cong., 1st Sess. 160 (1985) (statement of G. Edward Schuh, Professor and Head, Dep't of Agricultural and Appied Economics, University of Minnesota) [hereinafter cited as *The Next Generation*]. According to Professor Schuh:

   > The major problem U.S. agriculture faces today is commodity programs that operate counter to the best interests of both agriculture and the nation as a whole. The reason these programs are counterproductive is that they do not take account of the significant changes in the U.S. economy, in the international economy, nor in the way the U.S. relates to the rest of the world. These programs were designed for an earlier day and an economic system that was significantly different than the one we have today.

   Id.

   Because of their outmoded nature, commodity programs have increasingly failed to achieve their two major goals—increasing or stabilizing farm prices and farm incomes—despite sharply rising government expenditures.
6. Penn, *Discussion,* in ALTERNATIVE AGRICULTURAL AND FOOD POLICIES 333 (G. Rausser ed. 1985). The incidence of different financial problems among farmers of different farm production regions is gauged through the use of various financial measures; in particular, debt/asset ratios and cash flow analysis. The ratio of debts to assets is often used as a measure of the farm's financial

debts ranging from forty to seventy percent of their total assets, generally indicating serious financial distress.[7] Another 143,000 farms have debt-to-

obligations and indicates overall financial soundness and risk-bearing ability. U.S. DEP'T. OF AGRIC., ECON. RESEARCH SERV., AGRIC. INFO. BULL. NO. 495, FINANCIAL CHARACTERISTICS OF U.S. FARMS, JANUARY 1985 at 5 [hereinafter cited as THE 1985 REPORT]. More than four-fifths of all farms have a debt/asset ratio of less than 40%, generally indicating a strong financial condition. *Id.* at viii. Most of the outstanding debt is owed by farmers in highly leveraged positions. Twenty-nine percent of the January 1, 1985, farm operator debt was owed by farmers with debt/asset ratios over 70% and another 33% by farmers with 40-70% debt/asset ratios. *Id.*

Cash flow statements provide information about the sources of cash income, farm and non-farm, available to pay current production expenses, to service principal and interest payments on farm debt, and to provide for family living needs. *Id.* at 5. If cash flow is analyzed by size of farm, farms with sales of less than $40,000 as a group showed a negative cash flow after paying off cash expenses (including interest on debt), even farms with very low levels of debt. Smaller farms offset farm operating losses with off-farm earnings. Off-farm earnings tended to provide a cushion to cover farm business losses, provide for family living, and service of debt. But even substantial levels of off-farm income failed to offset the estimated principal repayments and family living expenses for the most highly leveraged farms with sales of less than $40,000. *Id.* at 14.

Farmers with sales between $40,000 and $99,000 also could not cover, on average, all estimated principal repayments and family living expenses, leaving an estimated average negative cash flow of about $3,000 per farm. Over half the farmers in this category, however, were estimated to have a cash surplus. Over 60% of the low-leveraged farms in this sales class (debt/asset ratios less than 40%) were estimated to pay all production expenses, provide for family living expenses and service debt. *Id.*

Farmers with sales between $100,000 and $499,999, on average, were estimated to have positive cash balances. Within this group, as sales increased, debt/asset ratios increased as well as cash shortfalls. In the $100,000-249,999 category, only very highly leveraged farms were unable to meet family living expenses. Unlike smaller farms, farms with sales from $250,000-499,999 tended to generate enough cash to cover family living expenses. These larger farms, however, could not necessarily meet both family living expenses and estimated principal repayments. Farms with sales between $100,000 and $499,999 and a debt/asset ratio less than 40% were able to meet cash commitments and generate a positive cash flow. *Id.*

It is important to keep in mind that a large debt/asset ratio does not necessarily mean that a farm is in financial distress. Farms with less than $40,000 in sales, for example, often obtain a large share of total income from off-farm sources and often qualify for and repay their loans on the basis of off-farm income. Very large farms with sales over $500,000 tend to be highly specialized and typically may have relatively high debt/asset ratios along with positive cash flows. Neither cash flow nor debt level alone are fully adequate measures of distress. Many highly leveraged farms have high enough returns to carry their debt loads. Other low-leverage farms experience cash flow difficulties due to the types of crops and livestock produced, level of production, prices, or expenses. *Id.* at viii. For example, larger farms tend to rent more land, thus their owned asset base does not fully reflect the strength of the business. Furthermore, cetain types of farms, such as nursery and horticultural specialty farms, poultry and egg farms, and feedlots are organized more along industrial lines than are other farms. Their ownership may be more widely spread. They rent a higher proportion of their resources, and a smaller proportion of their costs are committed to asset ownership. These highly industrialized farms can often operate with higher debt/asset ratios and suffer less financial stress than more traditionally organized farms, such as cash grain or dairy farms. U.S. DEP'T. OF AGRIC., ECON. RESEARCH SERV., AGRIC. INFO. BULL. NO. 490, THE CURRENT FINANCIAL CONDITION OF FARMERS AND FARM LENDERS 7 (1985) [hereinafter cited as THE CURRENT FINANCIAL CONDITION OF FARMERS AND FARM LENDERS].

7. Distribution of Farms With High Debt-to-Asset (d/a) Ratios, by Sales Class, January 1984

Sales Class (annual gross sales)	Highly leveraged (d/a ratios: 40 to 70%)		Very highly leveraged (d/a ratios: over 70%)	
	% of class	No. of farms	% of class	No. of farms
Less than $50,000	8.3	123,200	5.0	74,800
$50,000 to $99,999	14.7	44,000	8.7	26,400
$100,000 to $249,999	18.1	52,800	9.2	26,400
$250,000 to $499,999	19.0	17,600	12.6	11,000
$500,000 and over	17.4	5,200	15.3	4,500
ALL FARMS	11.1	242,800	6.6	143,100

Source: OFFICE OF TECHNOLOGICAL ASSESSMENT, REPORT NO. OTA-F-272, PUBLIC POLICY,

asset ratios exceeding seventy percent, indicating extreme financial distress.[8]

This note suggests that Congress must focus on the structural heterogeneity of United States farms and the inherent needs and problems associated with the various farm sizes in order to design effective and efficient farm programs. The farm problem lies not in the profitability of farming, but rather the profitability of farmers. Statistics indicate that twelve percent of all farms report profits and another fifty percent, while unprofitable, continue because of substantial off-farm income.[9] One farm analyst thus concluded, "six out of every ten farmers are not largely dependent on public income for support. Said another way, four out of every ten farmers may need and deserve greater assistance than they currently receive through the federal farm program."[10] If Congress wants to solve the farm problem, future farm policy should focus on the kind and degree of public support needed to assist the 800,000 farm families who either do not generate enough off-farm income to sustain themselves and their farming operations or those families lacking the financial resources to achieve a profitable-sized farm unit.

This note first explores the changes which agriculture has undergone in

AND THE CHANGING STRUCTURE OF AMERICAN AGRICULTURE: A SPECIAL REPORT FOR THE 1985 FARM BILL. Adapted from *Economic Indicators of the Farm Sector; Income and Balance Sheet Statistics, 1983,* USDA Econ. Research Serv., 1984, Table 59, using farm number and cash receipts distribution from the 1982 Census of Agriculture, Dep't. of Commerce, Bureau of the Census, 1984.

8. OFF. OF TECH. ASSESSMENT, REP. NO. OTA-F-272, PUBLIC POLICY, AND THE CHANGING STRUCTURE OF AMERICAN AGRICULTURE: A SPECIAL REPORT FOR THE 1985 FARM BILL 22 (1985) [hereinafter cited as A SPECIAL REPORT]. The debt/asset ratio of a farm is one of the primary measures that determines whether the farm will have cash flow difficulties. At current prices, input costs, and asset values, most farms start having difficulties meeting principal repayment commitments at debt/asset ratios of around 40%. Another critical point is reached if the debt/asset ratio of the farm reaches 70%. Above this point, farms generally have problems meeting either their interest commitments or their principal repayment commitments. With debt/asset ratios above 70%, many farms start sliding toward insolvency. The final critical point is insolvency where the total debts of the farm exceed the total value of owned assets. At this point, a farm generally cannot meet either interest or principal payments and the value of assets, if sold, would not retire the debts. THE 1985 REPORT, *supra* note 6, at 5.

9. *The Next Generation, supra* note 5, at 38. As the following table illustrates, generally the smaller the farm, the greater the reliance on off-farm income.

Distribution of Farms and Farm and Off-Farm Income per Farm by Sales Class, 1982

Sales Class: Value of farm products sold	Number of farms	Percent of all farms	Average net farm income	Average off-farm income	Average total income
Less than $5,000	814,535	36.4	($550)	$20,396	$19,846
$5,000-$9,999	281,802	12.6	(700)	22,498	21,798
$10,000-$19,999	259,007	11.6	(780)	18,648	17,868
$20,000-$39,999	248,825	11.1	154	14,134	14,288
$40,000-$99,999	332,751	14.9	3,451	12,529	15,980
$100,000-$199,999	180,689	8.1	17,810	11,428	29,238
$200,000-$499,999	93,891	4.2	48,095	12,834	60,929
$500,000 and over	27,800	1.2	504,832	24,317	529,149
All farms	2,239,300	100.0	$9,976	$17,601	$27,578

Source: A SPECIAL REPORT, *supra* note 8.

10. *Id.*

the last fifty years. It then evaluates the effectiveness of income support programs for the target group and concludes with an examination of alternative stabilization and income enhancement policies.

CHANGES IN AGRICULTURE

Agriculture's latest battle was not the first time that agricultural policy has sparked a fervent national debate. At our country's birth, Thomas Jefferson and Alexander Hamilton heatedly argued over agricultural policy.[11] Hamilton, the treasury secretary, wanted to stock the national till by selling public lands to baronial landlords. Jefferson envisioned a democracy of small, independent farmers. Jefferson prevailed, but his idealized agrarian nation has been losing ground almost ever since.[12]

When farm programs began during the Great Depression, nearly twenty-five percent of the population lived on approximately 6.3 million farms.[13] Today, only three percent of the population live on 2.4 million farms.[14] In sum, fewer than 700,000 Americans farm on a full-time basis.[15] Of this group, about 300,000 farms, or about twelve percent of all farms,[16]

11. *See* G. FITE, AMERICAN FARMERS, THE NEW MINORITY at 2 (1981). *See generally* R. ROBBINS, OUR LANDED HERITAGE, THE PUBLIC DOMAIN 1776-1936 (1942); Wadley, *Small Farms: The USDA, Rural Communities and Urban Pressures,* 21 WASHBURN L.J. 481 (1982). Jefferson believed the family farm should be self-contained and non-commercial, that farmers should be morally sound, politically free, and not subject to the demands of the marketplace.
12. G. FITE, *supra* note 11, at 234-44.
13. *See* U.S. DEP'T. OF AGRIC., CHRONOLOGICAL LANDMARKS IN AMERICAN AGRICULTURE 54 (1980); U.S. BUREAU OF THE CENSUS, STATISTICAL ABSTRACT OF THE UNITED STATES 401 (1981); STAFF OF SENATE COMM. ON AGRICULTURE, NUTRITION AND FORESTRY, 96TH CONG. 2D SESS., CHANGES IN THE FAMILY FARM CONCEPT, FARM STRUCTURE: A HISTORICAL PERSPECTIVE ON CHANGE IN THE NUMBER AND SIZE OF FARMS 18-23 (Comm. Print 1980) (statement of David Brewster) [hereinafter cited as FAMILY FARM CONCEPT].
14. CONG. BUDGET OFF., CROP PRICE SUPPORT PROGRAMS: POLICY OPTIONS FOR CONTEMPORARY AGRICULTURE 11 (1984) [hereinafter cited as PRICE SUPPORT PROGRAMS]. Between 1945 and 1982, the total farm labor force—that is, all farm operators, hired workers, and unpaid family workers—declined precipitously, from nearly 11 million to less than 4 million workers. Many of these individuals are now so-called weekend farmers for whom agriculture is primarily a hobby.

    The decrease in farm numbers has been accompanied by an increase in their average size and value. In 1950, farms averaged about 213 acres and $65,000 in total assets (in 1983 dollars). Today, the average farm has around 430 acres and $395,000 in such assets. This average size has little meaning, however, since fewer than 25% of all farms fall within the range of 180 to 500 acres. Almost 30% of all U.S. farms have less than 50 acres, while 7% have more than 1,000 acres. A SPECIAL REPORT, *supra* note 8, at 19.
15. A SPECIAL REPORT, *supra* note 8, at 20. If viewed in terms of value of production as measured by gross sales per year, America's farms can be classified as follows:

    (1) *Small farms* (less than $20,000 in annual gross sales) do not generate significant income for their operators. People operating this class of farm either live in poverty or use the farm as a source of recreation.

    (2) *Part-time farms* ($20,000 to $99,999 in annual gross sales) may produce significant net income but generally those operating them depend on off-farm employment for their primary source of income.

    (3) *Moderate-size commercial farms* ($100,000 to $199,999 in annual gross sales) provide enough income to form the primary source of income for most families. Families with farms in this range will, however, generally supplement their net income with off-farm employment. One operator on more than a part-time basis is required to operate this size farm.

    (4) *Large commercial farms* ($200,000 to $499,999 in annual gross sales) *and very large commercial farms* ($500,000 or more in annual gross sales) are very diverse. Families generally own and operate this size farm, but non-family corporations account for approximately five percent. Their operations require full-time managers as well as hired help.

    Id.
16. *See supra* text accompanying note 14.

produce nearly seventy percent of all farm output.[17]

Economic events in the 1970s, particularly the internationalization of United States agriculture,[18] substantial increases in the rate of inflation,[19] and low real interest rates,[20] had dramatic consequences on the structure of agriculture. These changes, along with technological change[21] and the effects of federal farm program incentives,[22] created a trend toward large scale farming.

Changes in the number and size of farms do not alone present the whole picture.[23] Changes in the distribution of sales and income are more important and clearly show the future direction of American agriculture.[24] Between 1969 and 1982, small farm sales declined from nine to six percent.[25] Sales from part-time farms declined from forty-three to twenty-two per-

17. PRICE SUPPORT PROGRAMS, *supra* note 14, at xii.

18. *The Next Generation, supra* note 5, at 9; *See also* THE CURRENT FINANCIAL CONDITION OF FARMERS AND FARM LENDERS, *supra* note 6, at 2. In the early 1970s, the U.S. dollar was first devalued, then allowed to float relative to other currencies. The dollar declined in value relative to other currencies throughout the 1970s. The lower value of the U.S. dollar in international exchange stimulated foreign demand for U.S. agricultural products. At nearly the same time, centrally planned and third world countries enjoyed accelerated economic growth while demand for better diets outpaced the capacity of their own farmers. They rapidly expanded imports of feed grains, food grains, oilseeds, and livestock feeds to improve the diets of their people and assist in their agricultural development. U.S. stocks were drawn down to low levels by the rapid increase in effective demand in the early 1970s. Production shortfalls in several parts of the world led to a further apparent increase in the export demand for U.S. farm products.

In the 1970s, U.S. agricultural exports grew at an extraordinary rate of 20% from about $7 billion in 1970 to nearly $41 billion in 1980. U.S. DEP'T. OF AGRIC., AGRIC. INFO. BULL. NO. 446, AGRICULTURE'S LINKS WITH THE U.S. AND WORLD ECONOMY, 33-36 (1985) (A. Manchester)[hereinafter cited as AGRICULTURE'S LINKS WITH THE U.S. AND WORLD ECONOMY]. As a proportion of total farm marketings, farm exports grew from 14.4% to 29.6% over the same period. Exports now take the production from about two of every five acres and provide about one-fourth of gross farm income. PRICE SUPPORT PROGRAMS, *supra* note 14, at xii.

19. Rauch, *A Rock and a Hard Place,* THE NAT'L. J., Sept. 7, 1985, at 1979. Inflation encouraged heavy investment in farmland and machinery because farmland values rose faster than inflation and the land was seen as a good hedge against inflation. The rapid rise in the value of farmland provided both the incentive and, to some extent, the means to invest because lenders believed rising land values would provide adequate security for loans with relatively small down payments.

20. *See* THE CURRENT FINANCIAL CONDITION OF FARMERS AND FARM LENDERS, *supra* note 6, at 2. While interest rates fluctuated with the rate of inflation during the 1970s, the real interest rate remained low and even fell to zero or below in 1974 and 1975. Low real interest rates provided strong incentives to invest in farmland and capital equipment throughout the 1970s. Farmers greatly expanded their use of credit—more than 10% per year. Rapid increases in farmland values (up to 16% per year, significantly exceeding the inflation rate) provided the incentive to invest and the collateral to do so. Interest payments for the sector increased sixfold from $3.8 billion in 1970 to $19.1 billion in 1981. From 1970 to 1975, farmers had on average, approximately six dollars in net farm income (after interest and other expenses were paid) for every one dollar of interest paid. In 1981-1983, they had only one dollar of net farm income for each one dollar of interest they paid.

21. PRICE SUPPORT PROGRAMS, *supra* note 14, at 11. To utilize new machinery more fully, farmers purchased or leased land previously farmed by neighbors. Hence mechanization not only displaced farmworkers, but also led to an increase in the size of farms and in the amount of capital and the kinds of skills needed to sustain them.

22. *Id.* at 13. Although nearly all public programs are enacted to help family-owned and operated farms, the benefits are generally distributed in direct proportion to the volume of output, strongly suggesting that public policy has discouraged small farms while encouraging greater concentration in farming. For example, expansion-oriented farmers have converted program benefits of reduced certainty, higher market prices, and government payments into additional land, modern machines, and highly specialized production processes.

23. *See supra* notes 13-14 and accompanying text.

24. *See* A SPECIAL REPORT, *supra* note 8, at 20. In the sections that follow, sales and income data presented reflect redistributions calculated to adjust for the impact of inflation.

25. *Id.*

cent.[26] The market share of moderate farms increased from thirteen percent of total sales to nineteen percent.[27] In the same period, the market share of large and very large farms increased significantly from thirty-six to fifty-seven percent.[28]

More dramatic changes have occurred in the distribution of net farm income. Large and very large commercial farms in 1974 had a forty-seven percent market share and thirty-five percent of net farm income.[29] In 1982, these same farms had eighty-four percent of net farm income with a market share of fifty-four percent.[30] Very large farms accounted for the majority of this growth. While accounting for only 1.2 percent of all farms, this class increased its real share of net farm income fourfold from sixteen to sixty-four percent.[31] By comparision, small farms in 1982 had negative net farm income, and part-time farms experienced a decline from thirty-nine percent in 1974 to five percent of total net farm income in 1982.[32] Moderate farms' net farm income decreased ten percent between 1974 and 1982 to a current eleven percent share.[33]

This imbalance suggests two things relevant to the pressures of the small farm. First, small farms cannot compete with the larger farms for an adequate share of the consumer food dollar and thus will likely disappear as profit-oriented entities should these trends continue.[34] Second, and perhaps more significantly, the large operations will likely be perceived as the more productive operations for purposes of United States Department of Agriculture (USDA) programs. This will tend to promote and reward those operations, at the expense of the apparently productive, smaller farming units.[35]

---

26. *Id.*
27. *Id.*
28. *Id.* at 21.
29. *Id.*
30. *Id.*
31. *Id.*
32. *Id.*
33. *Id.*
34. *Id.* The number of moderate-sized farms may continue to increase, but they will have a small share of the market and a declining share of net farm income. *Id.*

    Perhaps the most important factor responsible for the disappearance of small farmers is the almost constant cost-price squeeze they experience. Many producers are unable to adjust to the disadvantages of having no control over the price of the products they sell or purchase. The cost-price squeeze drives farmers to get bigger, to increase efficiency, and lower unit costs. Increasing volume and cutting costs makes up for the lower margin of profit. Most small farmers, however, do not have the capital to increase the size of their operations without an infusion of outside help. To keep farmers on small farms, therefore, is to relegate most of them to permanent poverty. For this reason, some try to increase their size using outside help, while others get part-time non-farm jobs and farm simply as a hobby, while still others completely abandon farming for better opportunities elsewhere.

    There is no conspiracy against the small farmer unless the American tradition of promoting mass production and efficiency is considered conspiratorial. Unfortunately, this pressure produces results which are neither in the best interests of the small farmer nor the American consumer. *See* G. FITE, *supra* note 11, at 237-38.
35. *See* U.S. DEPT. OF AGRIC., ECONOMICS, STATISTICS, AND COOPERATIVE SERVICE, AGRIC. ECON. REP. NO. 472, ECONOMIES OF SIZE IN FIELD CROP FARMING iii (1981) (T. Miller, G. Rodewald & R. McElroy); *See also* Scher, Catz & Mathews, *USDA: Agriculture at the Expense of Small Farmers and Farmworkers,* 7 U. TOL. L. REV. 837 (1975). Although the larger farms gain a greater percentage of the market, studies indicate that small and medium-sized farms can operate just as efficiently. Economies of size refer to the relative cost efficiency associated with different farm sizes. As farm size increases in most field crop regions, per-unit costs decline at first and then stabilize.

While small farmers face increasingly limited farm income and skyrocketing financial requirements, they have been able to cope by receiving income from other sources. Off-farm sources of income include earnings from non-farm related employment and government assistance such as welfare and food stamps. This reliance on off-farm income is one of the more dramatic changes in agriculture. In the 1930s, three-fifths of farmers' incomes came from farming.[36] Presently, less than four out of every ten dollars of total farm income comes from the sale of farm products[37] and less than thirty percent of all farm families earn their income from farming.[38] The size of the farm influences this dependency on off-farm sources of income.[39]

While most farmers in the 1930s supported themselves from their farming operations, the disposable farm income per capita was less than forty percent of the disposable non-farm income.[40] This income differential forced a large migration of the farm labor force out of agriculture and rural areas. Conditions improved in the 1950s and 1960s, as per capita income of the farm population increased. Farmers' incomes ranged between fifty and sixty-six percent of that of the non-farm population.[41] By the 1970s, the average income differential between farm and non-farm households narrowed to about eighty-eight percent, owing to rapid increases in farm prices and a substantial increase in the number of jobs available from growth in rural industries.[42] These two factors resulted in a slowing of the rate of outmigration.[43]

Average income statistics, however, mask economic problems that exist in the mid-range sales classes of farm operations. Farms in the part-time class with sales ranging from $20,000 to $99,000 are in serious trouble. About 580,000 farms in this class had an average total income of about $15,000 with an average net income from farming of only $2,033.[44] Because of their size, these farms do not generate much net farm income and have lower-than-average off-farm incomes.

In the 1980s, farming has become dominated by a relatively small

---

Medium-size commercial farms ($41,000 to $76,000 in gross income) achieve most technical efficiencies.

Society would likely benefit little in terms of lower real food costs from further increases in the size of these farms. Apparently, economies of size do not influence farm enlargement; farmers expand their farms to increase income, rather than to reduce per-unit costs.

36. CONG. BUDGET OFF., DIVERSITY IN FARMING: ITS MEANING FOR INCOME SUPPORT POLICY 3 (1985) [hereinafter cited as DIVERSITY IN FARMING].
37. COUNS. FOR AGRIC. SCI. AND TECH., REP. NO. 98, THE EMERGING ECONOMICS OF AGRICULTURE: REVIEW AND POLICY OPTIONS 57 (1983) [hereinafter cited as THE CAST REPORT].
38. *Id.*
39. *The Next Generation, supra* note 5, at 10. Off-farm income represents only 8.9% of total farm operator income for farms with sales of $200,000 and over. For farms with sales of less than $5,000 of produce, off-farm income represented 104.9% of total operator income, indicating that off-farm income was used to cover income losses from farming. *Id. See supra* note 9.
40. A SPECIAL REPORT, *supra* note 8, at 20.
41. Speech by Kenneth Clayton, Chief, Food and Agriculture Policy Conference, U.S. Agriculture in the 1980s: Economic Perceptions, Stone Mt., GA (Sept. 17, 1981). *See also* PRICE SUPPORT PROGRAMS, *supra* note 14, at 5-8.
42. *See* A SPECIAL REPORT, *supra* note 8, at 22.
43. *Id.* In 1982, the average income of farm and non-farm households was quite close, $27,577 and $28,638, respectively. *Id.* Note, however, that 60% of the income of farm households came from off-farm sources.
44. *Id.*

number of large, capital intensive, specialized farms whose operators depend upon income from farming. With sales averaging over $200,000 and incomes ranging between $61,000 and $530,000 per year, these farmers have not experienced any financial difficulties. These commercial farms sharply contrast with the much larger number of small part-time farmers. Although the part-timers sustain losses, substantial off-farm income supports their farming operations.

Between these two extremes lie two groups of moderate sized farms accounting for forty percent of all farms. The first of these groups has experienced financial difficulties because large commercial farmers have swallowed up their historical market share. While their average income of $29,238 remains above national averages for non-farm families, cause for concern exists because of the rapid decrease in their farming incomes.[45] The second group, including another 580,000 farmers, deserve more attention because even when minimal farm profits are combined with their off-farm incomes, their total income is far below United States household income averages.[46]

Public concern for the economic welfare of farm families and the nation's food supply led the federal government to assume a major role in supporting and stabilizing farm prices and incomes.[47] Conceptually, the farm programs were to assist farmers with limited interaction with the rest of the economy. Today the insulation of American agriculture has ended. Farming has become a more complex and concentrated industry integrated with the national economy and international markets. While circumstances have changed, farm policy has not. Traditional farm programs thus deserve close examination in terms of their relevance to the needs of farmers and the nation, and in terms of their costs to taxpayers.

THE TRADITIONAL COMMODITY PROGRAMS

In 1934, when Agriculture Secretary Henry A. Wallace first paid farmers to plow under crops and slaughter surplus livestock, he wrote that these steps were "but a temporary method for dealing with an emergency" and warned that such "temporary and varying" efforts to match supply and demand "seriously disturb . . . the farm economy."[48] Temporary as these interventions seemed, they became embedded in the rural economy in the ensuing decades.[49] The chief tools of the federal farm policy were—and remain—price floors, direct income subsidies and production controls.

45. *Id.* at 22. With sales ranging between $100,000 and $200,000 per year, this group has traditionally been considered the backbone of American agriculture.

46. *See supra* text accompanying note 41. Twenty-six percent of all farmers comprise the second group. Their average sales range between $20,000 and $100,000.

47. *See* Rasmussen, *New Deal Agricultural Policies After Fifty Years*, 68 MINN. L. REV. 353 (1983). In 1933, President Roosevelt and Secretary of Agriculture Wallace faced an unprecedented crisis in American agriculture. In an address to Congress on March 16, he stated, "I tell you frankly that it is a new and untrod path, but . . . an unprecedented condition calls for the trial of new means to rescue agriculture." 77 CONG. REC. 529 (1933). Roosevelt was referring to the Agricultural Act of 1933, ch. 25, 48 Stat. 31.

48. *See Administration Plan to Cut Aid Leaves Congress Divided, Farm Groups in Disagreement*, 43 CONG. Q. WEEKLY REP. 138 (1985).

49. *Id.*

Price Floors

The Commodity Credit Corporation (CCC) administers nonrecourse loans. The loans are made to farmers at a specified loan rate per unit of production.[50] Rather than taking his crop straight to the market, a farmer uses his crops as collateral for a CCC loan. The loan helps farmers spread sales of crops over time, thereby avoiding harvest-time pressures to sell immediately in temporarily glutted markets.[51] If market prices are less than what they received in the form of loans, farmers may simply keep the loan amount and forfeit the crop. Since the Agriculture Department has no recourse but to accept the crop as full repayment, the loans have effectively become minimum market prices for commodities.[52]

Direct Income Subsidies

Income supplements, also called deficiency payments, are direct cash subsidies utilized to prop up farmers' incomes. The Department of Agriculture pegs deficiency payments to pre-set target prices.[53] When market prices fail to reach statutory target levels, the program makes supplementary cash payments to farmers.[54]

Enacted in 1973 as a transitional measure, Congress intended the program to ease farmers' adjustment to lower price support loan rates. The export boom of the 1970s generally kept market prices above both loans and targets, and the supplements were relatively inexpensive until the farm economy soured in the 1980s.[55] During this period, large crops, declining exports and tougher competition sent farm prices through the floor, setting off a chain reaction that cost billions as the government paid out deficiency payments and bought enormous quantities of commodities.[56]

Production Controls

As noted, when market prices fall, government spending on nonrecourse loans and deficiency payments increases. The government therefore shifts some of the costs of its farm programs to the consumer by depressing supplies.[57] To qualify for government loans and deficiency payments, farmers

50. *Id.* Prior to the enactment of the 1985 Farm Bill, Congress determined the loan amount by a loan rate which was set by federal legislation for four years multiplied by the size of the crop put under the loan.
51. *Id.*
52. Rauch, *Writing A Blank Check,* THE NAT'L. J., Mar. 23, 1985, at 626. For example, in 1982, corn farmers had the choice of selling their crop on the market for an average price of about $2.68 a bushel or selling it to the government for about $2.55 a bushel. Effectively, the price of corn to the farmer never dropped below $2.55. *Id.*
53. *See* Rauch, *supra* note 19, at 1984.
54. The payments represent the difference between the lower market price and the higher target price. ,Legislation prohibited any farmer from receiving deficiency payments greater than $50,000 last year.
55. *Administration Plan to Cut Aid Leaves Congress Divided, Farm Groups in Disagreement,* 43 CONG. Q. WEEKLY REP. 139 (1985). Because market prices were above the loan rate, farmers sold to the market rather than defaulting on their loan obligations. No deficiency payments were made because market prices stayed above target levels.
56. *See* Rauch, *supra* note 19, at 1984. The 1981 four year farm bill projected to cost $11 billion over five years ultimately cost the government over $60 billion.
57. *See* Rauch, *supra* note 52, at 626.

must idle part of their land. Should market prices get too low, the government may pay farmers directly to set aside even more land.[58] In theory, with production controls in effect, the amount of goods on the market decreases, causing prices to go up. Higher prices mean consumers pay farmers more, and thus the government pays them less. The impact of acreage reductions, however, has always been compromised by crop farmers' inclinations to retire their worst land and grow as much as they can on the rest.[59]

THE PROGRAMS' LIMITATIONS

Although the commodity programs have faltered in the last decade, they have not categorically failed agriculture. Studies show farm prices and incomes increased in any given year between 1952 and 1972 because of the operation of government programs.[60] Farm programs had less influence on farm income in the 1970s, especially after 1973, when very favorable markets made it unnecessary for the government to intervene much to increase farm prices and incomes.[61] With high market prices, the government termi-

58. THE CAST REPORT, *supra* note 37, at 79. The 1981 Act gave the Secretary of Agriculture three ways to limit grain acreage: a reduced-acreage program, an acreage set-aside program, and a paid acreage diversion. The paid acreage diversion program provides the producer a government payment per unit of a commodity to reduce output. The reduced-acreage program provides no payment per unit reduction in output but requires a specified diversion by the producer to be eligible for price supports and commodity loans. These two types of programs recently operated concurrently with the Payment-in-Kind (PIK) program. The set-aside program requires a farmer to convert a prescribed proportion of his normal cropland acreage to soil conserving uses. The farmer is then eligible for price supports and other program benefits and he can plant whatever crops he chooses on acres not set aside.

59. *See Administration Plan to Cut Aid Leaves Congress Divided, Farm Groups in Disagreement*, 43 CONG. Q. WEEKLY REP. 138 (1985). This effect has been labeled slippage and is a problem with voluntary acreage-control programs. *See infra* note 81. *See also* THE CAST REPORT, *supra* note 37, at 80.

60. W. COCHRANE & M. RYAN, AMERICAN FARM POLICY, 1948-1973, at 359-60 (1976). According to the authors, all studies were primarily built around the following core assumptions: (1) price support and production control programs for the major commodities were eliminated; (2) domestic and foreign surplus disposal programs were maintained; and (3) only those production adjustments that could be easily implemented in one to three years were made. Thus, these studies were typically short-run, quasi-free market in their approach.

Cochrane and Ryan reported that, given the assumptions noted above, the price income results tended to fall in the following ranges. The index of prices received would have fallen between 10-20%; aggregate net farm income tended to fall between 20-50%. The studies consistently indicated that the price of wheat would fall by nearly 50%, feed grains by 20-30%, and whole milk by 10% or less.

Some of the more important studies analyzed by the authors included: *Rep. from the U.S. Dep't. of Agric. and a Statement from the Land Grant Colleges, IRM-1 Advisory Committee on Farm Price and Income Projections, 1960-65, under Conditions Approximating Free Production and Marketing of Agricultural Commodities, S. Doc. No. 77*, 86th Cong., 2d Sess. (1960); Robinson, *Possible Effects of Eliminating Direct Price Supports and Acreage Control Programs*, 1969 FARM ECON. 5813-20; JOINT ECON. COMM., 86TH CONG., 2D SESS., ECONOMIC POLICIES FOR AGRICULTURE IN THE 1960S-IMPLICATIONS OF FOUR SELECTED ALTERNATIVES (Comm. Print 1960) (G. Brandow).

While price supports since the 1950s have prevented farm prices from falling below their own established levels by providing an alternative market, and an incentive to produce in the face of otherwise declining prices, price supports (and technology) have contributed to the accumulation of stocks. In the 1950s and 1960s, government stock levels became quite large. It took massive cropland diversion, export subsidies, and foreign food aid to reduce these large stocks.

61. *See* PRICE SUPPORT PROGRAMS, *supra* note 14, at 22; CONG. RESEARCH SERV., U.S. COMMODITY PRICE SUPPORTS AND COMPETITIVENESS OF AGRICULTURE EXPORTS 26 (1985). During the 1970s, price supports did not put a floor on domestic prices. The strong demand for U.S. grain exports pushed farm prices well above support levels, which expressed in real terms, exceeded what they had been during much of the 1960s. During this period, it appears the factors contributing to

nated export subsidies, diverted virtually no cropland, and government stocks declined significantly. The "internationalization" of United States agriculture, however, increased the volatility of domestic farm prices and incomes by exposing the sector to supply and demand fluctuations in other countries, changes in trade policies, exchange rate variations, and the like.[62] In response to these changes, American agricultural policy shifted from enhancing income to stabilizing farm prices and income.

The 1980s stand in sharp contrast to the 1970s. Government intervention has reached the highest level in history but has not enhanced farm incomes significantly.[63] This failure can be attributed to the means utilized by the government to raise farm income—making direct payments to farmers, and decreasing supply to raise prices. Ironically, these programs conflict with each other; the government encourages farmers to grow surpluses with one hand while pushing supplies back down with the other. This conflict causes the misallocation of resources and overproduction.

Direct Payments

Target prices set above expected market prices encourage farmers to expand output.[64] The larger output causes market prices to fall below target prices obligating the government to increase its total deficiency payments. A farmer's net income is increased by these government payments, but the increase is generally less than his total net receipts because typically he must forego production and income to receive those payments. Unfortunately, these payments offer small benefit to most farmers since the government distributes them in direct proportion to output.

The payments support the incomes of farmers producing specific crops without a test of economic need.[65] With the diversity of farming, the farm programs have different income effects on farms of different types and

---

the strong demand for U.S. agricultural exports, such as a weak dollar, rising incomes abroad and easy credit, outweighed the effects of a higher loan rate on exports.

62. CONG. RESEARCH SERV., *supra* note 61, at 7. Variability of demand for both wheat and soybean meal during 1966-1980 almost doubled demand for the 1950-1964 period and more than quadrupled coarse grains.

63. The level of government intervention fluctuated significantly between 1956 and 1981. Between 1956-1960 for example, average government spending on commodity loans, inventory and price support outlays reached $30.4 billion (in 1983 dollars). These same programs cost the government only $2.2 billion in 1975. Government intervention, however, has steadily risen since 1980. While farmers idled 77 million acres, commodity loans and price support outlays cost the government an all-time high of $35.7 billion in 1983. Only three years earlier, farmers idled no acreage and government expenditures were only $9.4 billion. CONGRESSIONAL BUDGET OFFICE, CROP PRICE SUPPORT PROGRAMS: POLICY OPTIONS FOR CONTEMPORARY AGRICULTURE (1984).

64. If support prices exceed market prices, the government replaces the marketplace. The loan rate guarantees the farmers a return. The reduction in risk encourages expanded production despite constrictive developments in the marketplace, i.e. declining prices and growing surpluses.

65. DIVERSITY IN FARMING, *supra* note 36, at i-4. Farmers producing the major crops—corn and other feed grains, wheat, rice, and cotton—receive income support through deficiency payments. Farmers who do not produce a supported crop do not receive direct program benefits. About two-thirds of farmers' cash receipts are from the sale of commodities not supported by major crop programs (including cattle, hogs, and poultry, which together account for about 40% of cash receipts).

If the farmer grows a supported crop, payments received increase with production. "The farm programs were designed to benefit the fellow with something to sell, and obviously, the more he had to sell, the more he benefited." W. COCHRANE & M. RYAN, *supra* note 60, at 366.

sizes.[66] Though no one person may receive over $50,000 in payments,[67] the benefits are concentrated among a relatively small number of persons on larger-than-average farms.[68] Additionally, benefits as measured do not wholly accrue to farm operators; a significant fraction goes to landlords.[69] These statistics indicate that Congress will spend money to help the American farmer. No economic reasons exist, however, to channel income preferentially to those who need assistance the least at the expense of those who need it the most.

Supply Management

Imprudent supply management decisions and a high loan rate have added to the demise of the small farm. During the early 1980s, the loan rate supported the farm price for wheat and corn, and the federal government, as in the 1950s and 1960s, accumulated stocks or subsidized the accumulation of stocks by farmers in the farmer-owned reserve.[70] Moreover, the price floor established by American loan rates provided strong incentives for producers in other countries to increase their output. These loan rates provided an umbrella for foreign producers, allowing them to undersell United States farmers while the government supported the market.[71]

66. For a thorough analysis, see generally DIVERSITY IN FARMING, *supra* note 36.

67. *See supra* note 54.

68. *See* U.S. DEP'T. OF AGRIC., ECON. RESEARCH SERV., AGRIC. ECON. REP. NO. 474, FARM COMMODITY PROGRAMS, WHO PARTICIPATES AND WHO BENEFITS (1981) (Lin, Johnson and Calvin). In this study of the distribution of direct payments and market price enhancements of the 1978 farm programs by size of farms, the authors estimated that the largest 10% of the farms received 55.5% of the net benefits; the smallest 70% received just 8%. The largest 10% received average direct payments of about $12,000 plus $6,000 in price benefits minus about $5,000 in foregone income due to participation in acreage set-aside programs. The smallest 50% of farms received a net cash gain of approximately $460 per farm or about one-thirtieth of what the largest 10% of the farmers received.

69. *See id. See also* Penn, *The Changing Farm Sector and Future Public Policy, An Economic Perspective,* U.S. DEP'T. OF AGRIC., ECON. AND STAT. SERV., AGRICULTURAL FOOD POLICY REVIEW NO. 4, at 56-57 (1981). Penn suggests the rise in tenancy-separation of landownership from operation, owing largely to high land price, affects the distribution of program benefits. Most of the past program benefits have largely been capitalized into land values benefiting landowners. If continued, such programs will provide little benefit to the increasing number of farmers who rent most of the land they operate. Continuing increases in land prices will also attract nonfarm investors to compete with farmers for available land. Thus, to the extent that intended benefits of farm programs get capitalized into asset values, the intended distribution of benefits is perhaps subverted.

70. U.S. DEPT. OF AGRIC., ECON. RESEARCH SERV. REP. NO. AER-481, AN EVALUATION OF U.S. GRAIN RESERVE POLICY, 1977-1980 (March 1983) (J.P. Sharples) *See also* PRICE SUPPORT PROGRAMS, *supra* note 14, at 6. The farmer owned grain reserve originated in 1977. Under this grain reserve program, a wheat or feed grain grower contracts with the government to store grain for a three year period and receives a nonrecourse loan and annual storage payments. Grain in the reserve cannot be sold, except with a financial penalty, until the market price reaches a trigger release price, at which time storage payments cease and farmers can repay loans without financial penalty.

The program was originally intended to stabilize prices for farmers and consumers—that is, to moderate large price swings, but not to change the long-run price level. But in the 1980s, it has been used in an attempt to enhance prices and incomes by reducing readily available market supplies. In 1981 and 1982, for example, the government encouraged farmers to place grain into the reserve by increasing reserve rates above the nonrecourse loan rate and by making favorable storage payments.

71. *Future Agriculture Policy: A Challenge for All,* in ALTERNATIVE AGRICULTURAL AND FOOD POLICIES 54 (G. Rausser ed. 1985). As an example, major wheat competitors expanded acreage by eight percent from 1981 to 1983 under the shelter of a U.S. price umbrella, while American farmers unilaterally reduced their acreage by nearly one-fourth in order to enhance farm prices and

These factors combined with weak domestic demand and record 1981 and 1982 harvests, increased stocks, lowered commodity prices, depressed farm income, and boosted government expenditures.[72] In January 1983, Secretary of Agriculture, John Block, unveiled the payment-in-kind (PIK) program in an attempt to enhance farmers' incomes.[73] PIK gave farmers of wheat, corn, grain sorghum, rice, and upland cotton the option to retire additional acreage.[74] For their cutbacks, the government would compensate them with grain from the farmer-owned reserve[75] and CCC inventories.[76] Thus, in addition to retiring twenty percent of their land under the acreage reduction and paid land diversion programs, farmers could idle another ten to thirty percent of their acreage base.[77]

Like other acreage restriction programs, the Administration designed the PIK program to "kill two birds with one stone" by reducing taxpayers' costs while simultaneously improving the depressed economic condition of grain farmers.[78] The program's results, however, generated much criticism.[79] The inequitable distribution of PIK benefits created the greatest

---

reduce budget exposure. High support levels have not only suppressed exports, but also created losses of domestic markets.

Recently, for example, honey support prices established at the statutory minimum of 60% of parity, have risen well above world markets. As a result, U.S. honey imports increased from 9 million pounds in 1970 to about 110 million pounds in 1983. Meanwhile, U.S. ending stocks climbed from about 35 million pounds in the 1970s to 166 million pounds in 1983—a stocks-to-use ratio of 60% compared to only 12% just five years earlier. Also, over the last five years, government acquisitions have gone from zero to an estimated 115 million pounds. Effectively, domestic honey is being sold to the federal government and is being displaced in the domestic market by less-expensive imports.

72. *See Large Surplus, Falling Trade Prompt Review of Methods to Reassure Foreign Clients,* 40 CONG. Q. WEEKLY REP. 2909 (1982). In 1982, USDA officials estimated "ending stocks"—grain for which there is no commercial demand at the end of the year—would amount to nearly 150 million metric tons, the largest ending stock for more than 20 years. Ending stocks were in fact 141 million metric tons.

Growing U.S. Grain Stockpiles

(millions of metric tons, by crop year)

	1975	1980	1981	1982	1983	1984	1985*
Production	247	268	328	331	206	312	345
Stockpiles	37	62	101	141	71**	91	167
Exports	84	114	110	97	97	97	77

*Forecast; 1985 crop year ends this summer.

**Follows a major payment-in-kind (PIK) program to reduce government stocks.

Source: THE NATIONAL JOURNAL, March 29, 1986. Adapted from Agricultural Department material.

73. *See generally Administration Moves Ahead On PIK Grain-Giveaway Plan To Reduce Enormous Surplus,* 41 CONG. Q. WEEKLY REP. 87 (1983).
74. *Id.* The PIK program was in addition to the acreage set-aside and paid diversion programs announced just three months earlier. PIK was the Reagan administration's attempt to induce major cutbacks in farm production. The program was a marked change from the former policy which had stressed all-out production and little government interference. Massive surpluses, however, drove market prices well below farmer's costs and greatly increased their use of federal price support programs which cost the treasury an unprecedented $12 billion in fiscal 1982. The Administration saw PIK as a means to reduce surpluses, raise commodity prices and enhance farmer's incomes without large government outlays.
75. *See supra* note 70.
76. *See supra* notes 50-52 and accompanying text.
77. *The Next Generation, supra* note 5, at 22.
78. *Id.* at 24.
79. *Id.* PIK critics contended grain farmers received preferential treatment to the detriment of the livestock industry. Second, they expressed fears that such a large cut in production and supplies

concern. Unlike other farm income and price support programs which have a $50,000 cap on per farm payments, PIK benefits were, theoretically, limitless. At $3.00 per bushel, an acre of average corn land would return $250.00 to its owner in PIK payments. Enrolling 4,000 acres yields a one million dollar government payment.[80]

Supply management may enhance farm income to the extent that, reduced crop production increases farm prices. But because slippage[81] impairs the effectiveness of acreage reduction programs, they generally lead to only small price increases.[82] Moreover, the increasing importance of the export market has hobbled supply management. Since foreign demand for American farm products is generally more sensitive to price changes than domestic demand, supply management has become a weaker policy instrument for raising incomes as markets have become more international in character.[83]

---

would cause U.S. grain prices to rise too high thus pricing American farmers out of world markets. Third, the United States was the only country in the world reducing grain production. Competitors offset American reductions by increasing their production.

80. *Id.* It is important to recognize, however, that all government farm and income support programs, including PIK, are designed first and foremost to reduce production and are not targeted to aid the most "needy." Those farmers most in need of financial relief are supposed to eventually benefit through strengthened market prices, a classic "rising tide lifts all boats" analogy.

81. *See Future Agriculture Policy: A Challenge For All, supra* note 71, at 57. Slippage is only one of the reasons voluntary acreage reduction programs have been largely ineffective. Slippage occurs when farmers take some of their acreage out of production but leave their best acreage in production and intensify cultivation. Because of increased yields on the acres remaining in production, the program's intent is nullified. For every 10% of acreage base idled, average yield on the remaining acres increases 3.5% for cotton, 3% for corn, 2% for wheat, and 1% for grain sorghum.

Voluntary acreage reduction programs have also been ineffective because farmers who do not participate in the programs tend to expand acreage. They hope to capitalize on expected higher market prices. Further, they wish to increase the size of their base for future programs.

Experience with wheat provides a good example. In 1981, with no acreage reduction program in place, 81 million acres of wheat were harvested. In 1983, farmers idled 28.2 million acres of wheat base, while harvesting only 20 million acres less than 1981. While this still represented a 25% reduction in harvested area, the higher yields of 1983 production were only 15% smaller than the 1981 crop.

Lastly, about 12% of U.S. farms now market about two-thirds of all farm products. Thus, the participation of large units in acreage reduction programs seems essential. The law, however, limits to $50,000 per year the amount of deficiency and diversion payments receivable by an individual. The payment limitation, therefore, makes participation less attractive to large units as potential benefits seldom outweigh the potential value of foregoing production. If farmers do choose to participate, the required acreage devoted to conservation is adjusted for the payment limitation and the producer may plant other crops on this residual acreage. This occasionally leads to surpluses for other crops that do not even have support programs.

82. *See* PRICE SUPPORT PROGRAMS, *supra* note 14, at 22.

83. THE NEXT GENERATION, *supra* note 5, at 165-166. Professor G. Edward Schuh explained this relationship.

> When exports of U.S. agricultural products were relatively small, changing the price of an agricultural product or changes in per capita income had very little effect on the quantity demanded. However, the increased dependence of U.S. agriculture on international trade has significantly changed these conditions of demand. Because most importers of agricultural products are only marginal importers, there is a presumption that the elasticity of foreign import demand will be relatively high. Japan is the exception. Since most countries import only a small proportion of their total food consumption, these countries can easily substitute domestic production for imports. Similarly, individual countries can obtain their import supplies from alternative sources as the Soviets have amply demonstrated. Whereas in the past, an increase in price actually increased total farm income, since there was a less than proportional decline in sales, today the reverse is true. Hence, for most of our commodities that are exported, an increase in price actually leads to a reduction in total income to agriculture rather than an increase.

Id.

Finally, because of the heavy integration of the agricultural sector with both the domestic and international economies, macroeconomics, trade, and foreign policies can exert powerful influences on farm prices and incomes.[84] As a result, farm programs have less effect on economic conditions in agriculture than in the 1950s and 1960s.[85]

THE 1985 FARM BILL'S RESPONSE TO TRADITIONAL COMMODITY PROGRAMS LIMITATIONS

While the new farm law reflects congressional concern with lowering government price supports to levels competitive in international markets, it provides little optimism for farmers who are in greatest need of governmental assistance. The law sharply reduces the rates the government sets for price support crop loans. In the past, Congress arbitrarily set loans on a rising scale, keeping an eye on inflation, resulting in current rates that are generally higher than prices on most world markets.[86] Under the farm bill, the basic loan rates will drop ten percent in 1986,[87] and may decline another five percent a year through 1990.[88] The Secretary of Agriculture may also reduce the rate another twenty percent a year.[89] The law requires lowering loan rates by at least ten percent in 1986.[90] These measures will bring United States prices much closer to the prevailing market price, giving agriculture officials hope that foreign nations will have much more difficulty underselling American grain on overseas markets.[91]

Cutting the loan rates, however, only widens the gap between market prices and target prices, thus increasing government income subsidy payments.[92] In effect, the government gives back in deficiency payments what it takes from farmers when it cuts the minimum price. While the law freezes current target prices for two years, in order to reduce government outlays, it allows the rates to drop a total of ten percent over the remaining three years.[93] The farm bill retains the existing $50,000 limit on deficiency pay-

84. For a good discussion how these factors influence farm prices and incomes, see *The Next Generation, supra* note 5 at 15-19.

85. DIVERSITY IN FARMING, *supra* note 36, at 24. *See supra* note 60.

86. *See supra* note 71.

87. For example, the price of wheat dropped from $3.30 a bushel to $3.00 in 1986. Food Security Act, Pub. L. No. 99-198, § 107D(a)(3)(A), 99 Stat. 1354 (1985). Corn rates dropped in similar fashion from $2.55 a bushel to $2.40 in 1986. *Id.* § 105C(a)(2)(A).

88. *Id.* § 107D(a)(3)(B). The Secretary of Agriculture may set the rate between 75-85 % of the average domestic market price for the crops of three of the past five years (disregarding the highest and lowest years), although he cannot reduce the basic loan rate more than five percent from the previous year.

89. *Id.* § 107D(a)(4)(B). The Secretary has this authority if the average market price of wheat or feed grains in the previous marketing year is less than 110% of the loan rate for that year, or if it is necessary to provide competitive prices on the world market. If this authority is exercised, the 1986 rate for wheat could be $2.40 a bushel. *Id.* § 107D(a)(4)(A).

90. *Id.* § 107D(a)(4)(A)(i).

91. *Few New Departures in Farm Bill,* NAT'L. J., Nov. 9, 1985, at 2537.

92. Rauch, *The Great Farm Gamble,* NAT'L. J., Mar. 29, 1986, at 759. Rauch noted:

> The policy makers were steering toward three goals: to reestablish the United States as a competitor in world agricultural markets; to slow the hemorrage of federal dollars spent on massive and virtually uncontrollable farm subsidies; and to protect the incomes of farmers. But meeting any two of these goals meant failing at the third.

93. Wheat rates are frozen at $4.38 a bushel and corn at $3.03 a bushel for two years. *See id.*

ments to individual producers,[94] but allows generous exemptions which will enhance direct payments.[95] For the first time the law caps at $250,000 the amount of nonrecourse loans any one producer can receive.[96] As in the past, farmers must set acreage aside as a condition to receiving these price support loans and deficiency payments.[97]

CRITICISMS

The new farm law links agricultural support prices more closely to the world market. Congress believes by making American farm export prices more competitive in the marketplace, farmers will sell their crops to the market rather than to the government. The farm bill, however, effectively maintains direct income subsidies to farmers at their current levels for almost the life of the five-year law.[98] Since the law still pegs that subsidy to production, many economists contend that farmers will continue to produce beyond market need, thus driving prices down.[99] Moreover, continuing the subsidies without large reductions means that federal farm spending will continue to run at its current staggering levels of more than $15 billion a year.[100]

The government's program relies on large voluntary acreage reductions to increase both demand and prices.[101] Institution of this program, how-

---

§ 107D(c)(1)(G) and *id.* § 105C(c)(1)(E). They may be lowered, however, between 1988 and 1990 in annual increments of 2, 3, and 5% respectively. *Id.*

94. *Id.* § 1001(1). For each of the 1986 through 1990 crops, the total amount of payments (excluding disaster payments) that a person shall be entitled to receive under one or more of the annual programs established under the Agricultural Act of 1949 (7 U.S.C. § 1421 *et seq.*) for wheat, feed grains, upland grains, upland cotton, extra long staple cotton, and rice may not exceed $50,000.

95. Payments resulting from the Secretary's use of 10-20% loan rate reductions, or any gains realized by repaying a loan at a level less than the original loan level, would be exempt from the ceiling. *See id.* § 1001(3)(D) and *id.* § 1001(3)(C). In addition, a producer planting at least 50% of his permitted program acres and who devoted more acres than required under the acreage-reduction program to approved conservation uses or non-program crops, could receive deficiency payments on 92% of the permitted acres. *See id.* § 107D(c)(1)(C)(ii) and *id.* § 107D(c)(1)(C)(i)(II).

96. *Id.* § 1012(b). A farmer, however, may obtain additional recourse loans. *Id.* § 1012(b). Further, the government gives him the option to pay back the loan at the prevailing market rate so long as at least 70% of the loan note is repaid. *Id.* § 107D(a)(5)(A). Under this lenient government repayment provision, a farmer may net substantial gains.

97. In the 1986 crop year, participating wheat producers would have to hold acreage to at least 15% below established wheat bases if previous surplus stocks exceeded one billion bushels nationwide. *Id.* § 107D(f)(1)(B). The minimum would be 20% in 1987 through 1990. *Id.* § 107D(f)(1)(c). The Secretary would have the authority to increase the acreage reduction requirement to a maximum of 25% in 1986, 27.5% in 1987 and 30% in 1988-1990, but if maximum limits are set in 1986, farmers would receive the equivalent of 2.5% in government owned commodities. *See id.* §§ 107D(f)(1)(C)(i), 107D(f)(1)(D)(i), 107D(f)(1)(B)(i)(II).

98. *See supra* note 93 and accompanying text.

99. *See supra* note 64 and accompanying text. Optimistic economists argue lower U.S. farm prices will gradually push U.S. exports up to healthier levels. Farmers abroad, forced into the defensive, will cut back on their production in the face of lower U.S. and world prices. Eventually, prices will respond by rising. *See* Rauch, *supra* note 92, at 759.

100. *Few New Departures in Farm Bill, supra* note 91, at 2537. The Congressional Budget Office's assessment, shared by many others, is that spending will hit its highest levels in 1986 and after that continue at very high levels for three years or so. Both the Congressional Budget Office and the Agriculture Department project costs declining to $10-11 billion by fiscal 1991. According to the consensus scenario, the outpouring of federal dollars will be slowed by a number of developments: a turnaround in the value of U.S. exports; Congress' eventual reductions in target prices; and higher commodity prices, owing both to production cutbacks overseas and to the deep crop reductions phased in under the new farm law. Rauch, *supra* note 92, at 762.

101. *See supra* note 97.

ever, brings commodity programs again in conflict with each other. On the one hand, the farm bill acts to cut guaranteed prices in an attempt to make United States farmers more competitive internationally. Conversely, the acreage reduction provisions raise the price of United States crops, providing an indirect subsidy to foreign competitors. In sum, federal price and income maintenance commodity programs still reflect biases toward large farmers who produce export crops to the detriment of the smaller domestic producer.

These programs have significance for the target group[102] for two reasons. First, these farmers work small and medium-size farms. They are not large enough to take advantage of the expected export opportunities created by a cut in the guaranteed price. Reducing income subsidies only shrinks their incomes.[103] Second, deficiency payments are still output-oriented, resulting in the largest producers receiving government aid in disproportionate amounts.[104] Further, even if more severe restrictions on payment recipients were imposed, they would probably have only a minimal effect on distributing payments more evenly to small farmers.[105]

If the government intends to continue spending billions of dollars to assist "family farmers," it should direct some of those funds toward those farmers who truly need assistance. In 1983, commodity programs (including PIK) cost $28.3 billion. In a worst case scenario, with a zero net income for all farmers, each one could have received a guaranteed income of $11,791.66 in 1983 with those same expenditures.[106] This indicates that both the potential and the willingness to assist troubled farmers exists today. Inequitable distribution of funds, however, quashes this possibility and all good intentions.

RECOMMENDATIONS

Almost all farm legislation in recent decades, including America's newest farm law, reaffirms the policies of encouraging the family farm structure of the nation. It goes no further, however, in defining which strata of family farms to protect.[107] As shown, large family farms have profited most from

102. *See supra* note 4.

103. *See* Stokes, *Falling Exports, Rising Support Payments Throwing Farm Economy Out of Sync,* THE NAT'L. J., Nov. 24, 1984, at 2250.

104. When the programs were initiated in the early thirties, farm numbers were near their peak of almost seven million and the benefits were perhaps more equally distributed among all farms. As farm numbers have declined over time and the average size correspondingly increased, the fewer large farms with greater volume have received a much higher proportion of the program benefits than the more numerous smaller volume farmers. Eriksen, *Commodity Programs and Policies, Perspectives for the 1980s,* U.S. DEP'T. OF AGRIC., ECON. AND STAT. SERV., AGRICULTURAL FOOD POLICY REVIEW No. 4 at 29 (1981).

105. Studies indicate that the current limitations to reduce excessive transfers to these larger producers are relatively ineffective. Lin, *supra* note 68, at ii. In this study, the $40,000 payment limitation had a negligible effect on payment distribution in 1978. Only 1,184 producers were affected, 0.16% of all participants. Payments foregone due to the limits amounted to 24 million, 1.33% of the potential disbursements with no payment limits. Payments foregone averaged about $20,000 for each affected producer. Nearly 90% of all affected participants had farms of at least 2,000 acres. *Id.*

106. Calvin, Foster & Rausser, *Review and Assessment of Alternative Agricultural Policy Proposal,* in ALTERNATIVE AGRICULTURAL AND FOOD POLICIES 171 (G. Rausser ed. 1985). Assuming there were 2.4 million farmers in 1983.

107. One USDA report on the financial condition of family-size commercial farms defined family-size

nonrecourse loans, deficiency payments and land retirement programs,[108] at an increasingly high cost to American taxpayers. Furthermore, direct payments based on production have altered production incentives and have led to surpluses. Dissatisfaction with the performance of existing direct income enhancement programs has produced alternative proposals[109] aimed at reducing or eliminating incorrect market signals and meeting equity goals. The 1985 farm bill incorporates only some of these considerations.

If Congress wishes to insure the existence of the small and moderate-sized family farm and return to a market-oriented agricultural sector, it must eliminate commodity programs which encourage excess production. Surpluses force the government to institute diversion programs in an attempt to raise farm prices and incomes. These policies, however, reduce farm numbers, encourage the separation of ownership and operation, restrict entry, and encourage expansion of large farms at the expense of small farmers.[110]

---

farms as those with annual sales between $50,000 and $500,000. It estimated there were 679,000 farms in this catagory accounting for 31% of all farms and 51% of all sales of agricultural products. Aggregation of such a wide range of farms, however, distorts the real picture. In a group such as that, average total incomes range between $15,980 for farms with sales $40,000-99,000 and $60,929 for farms with sales of $200,000-499,999. U.S. DEP'T. OF AGRIC., ECON. RESEARCH SERV., AGRIC. INFO. BULL. NO. 482, A SUMMARY REPORT ON THE FINANCIAL CONDITION OF FAMILY-SIZE FARMS 1 (1985).

The USDA has repeatedly changed its definition of the family farm in an attempt to mask inherent structural problems. The definition still in use states:

> The essential characteristics of a family farm are not . . . found in the . . . tenure, or in the size of sales, acreage or capital investment, but in the degree to which productive effort and its reward are vested in the family.
>
> The family farm is a primary agricultural business in which the operator is a risk-taking manager, who with his family does most of the farmwork and performs most of the managerial activities.

Id. at 21.

This definition allows the USDA to classify most American farms, particularly many of the largest and most productive, as family farms and therefore officially claim that the family farm is holding its own. FAMILY FARM CONCEPT, *supra* note 13, at 21.

108. *See supra* note 65-69 and accompanying text.

109. Several options are available which place less emphasis on the quantity of the commodity produced and more emphasis on the farm production unit: *The Next Generation, supra* note 5, at 82.

Option 1. Develop a two-level target-price system. The higher target price would be available for all participating farm units up to a specified maximum volume for each commodity. All of the commodity produced in excess of the maximum quantity established for the higher price would be eligible for a lower target price. The lower price should be the long-term market-clearing price so reserves would not be built up too high.

Option 2. Make a lump-sum direct payment to all farmers if the commodity price falls below a given level. The value of the payment, of modest size to constrain cash costs, would be the same for all farm units regardless of the value of the given commodity produced.

Option 3. Employ a graduated total payment. Payments up to $5,000 per farm for example, calculated under current programs would be paid in full. Payments calculated in excess of $5,000 would be paid at some lower rate. The current $50,000 maximum payment could be lowered under any of the preceding options.

110. *See generally* Zilberman & Carter, *Structural Dimensions of Agricultural Policy,* in ALTERNATIVE AGRICULTURAL AND FOOD POLICIES (G. Rausser ed. 1985). Professor Cochrane argues,

> The government programs were not designed to produce this outcome; they were designed to help all farmers. But the stable economic environment which they provided, in the context of rapid technological advance, made it easy for the alert, aggressive farmer to invest, reduce costs, expand, increase his rate of return, and expand further. The alert and strong cannibalized the less adaptible and weak.

W. COCHRANE, *supra* note 60, at 365-66. For the theory behind this process, see generally AGRICULTURAL EXPERIMENT STATION, TECHNICAL BULLETIN NO. 24, AN ECONOMIC ANALYSIS OF THE IMPACT OF GOVERNMENT PROGRAMS ON THE POTATO INDUSTRY OF THE U.S. (1954) (Gray, Sorenson and Cochrane).

The alternative is the implementation of a farm program geared to stabilize rather than enhance farm incomes coupled with a targeted income maintenance program to support smaller, struggling family farmers. The choice makes sense in light of the changes in agriculture. Stabilizing farm incomes means moderating the pattern of boom or bust in agricultural markets, raising prices when they are unusually low and dampening them when they rise rapidly.[111] Since farming has integrated with both the domestic and international economies, the need for stabilization tools has significantly increased.[112] Moreover, today a relatively small number of large farms produce most of the nation's farm products.[113] These farm families have average incomes substantially above those of most farm and non-farm families.[114] These farmers are joined by an even larger group independent of farm income to sustain themselves.[115] If farm income enhancment is going to be part of our agricultural policy, it should be targeted toward low-income farm families dependent on farming for their livelihood.

The basic structure of the 1985 farm bill can be utilized to some degree. Price supports should be set below current policy levels with both price supports and reserve trigger prices flexible, changing with market prices. A "price corridor" bounded by loan rates and trigger prices should be based on a formula that includes past market prices.[116] Reserve and government stocks which accumulate when market prices fall would be released when prices rise above the trigger price. The price stabilization band would move in the same direction as the long term price trend.

A dramatic departure from the 1985 farm bill which a politically-conscious Congress could not make, would eliminate deficiency payments.[117] A policy of no supply management should accompany this cut. In essence, this approach attempts to eliminate the conflicting nature of current agricultural policies.[118]

The effect of market-oriented price supports on farmers' incomes is uncertain. Farmers would lose billions of dollars in deficiency payments, but this would not reduce net income by an equal amount, since farmers typi-

111. PRICE SUPPORT PROGRAMS, *supra* note 14, at 33-34.

112. *Id.* Income stabilization is a more credible contemporary policy objective than income enhancement. A growing share of the output of commercial farmers goes to volatile foreign markets. Uncertainty about future income makes planning and investment decisions more difficult, and can lead to unnecessarily volatile farm prices, output, and inefficient production. Moreover, greater debt and specialization make farmers more vulnerable to market uncertainties. *See supra* note 84. *See generally* AGRICULTURE'S LINKS WITH THE U.S. AND WORLD ECONOMY, *supra* note 18.

113. *See supra* note 17 and accompanying text.

114. *See supra* notes 29-30. Yet, their competitive incomes and rates of return do not mean that this group of farmers has no problems. The changed financial structure of these farms implies that they are much more vulnerable to variability of incomes and returns. This is especially true for the most financially leveraged farmers. Such farmers would benefit greatly from price stabilizing programs; and those programs would not only benefit the most heavily leveraged farms, but also the overall system by protecting the non-farm economy from disruptive impacts. Penn, *supra* note 69, at 56.

115. *See supra* note 17.

116. PRICE SUPPORT PROGRAMS, *supra* note 14, at 36. Loan rates based on a percentage of recent market prices could increase U.S. agricultural exports by reducing the incentives to overseas production and by stimulating foreign demand for U.S. farm products.

117. Elimination of deficiency payments would reduce farmers' incentives to overproduce which in turn would lessen the necessity of large acreage reductions which tend to drive market prices of U.S. crops upwards making them noncompetitive in world markets.

118. *See supra* notes 98-101 and accompanying text.

cally forego production and income to receive these benefits. Average production would increase without acreage reduction under this stabilization policy. Furthermore, the income lost would be primarily to those most able to afford it.[119] Taxpayer costs would decrease under market-oriented price supports. By eliminating deficiency payments and by carrying smaller reserve and government stocks, the government would save about $7 billion annually over fiscal years 1986-1988.[120]

In addition to the market-oriented stabilization approach, Congress should implement a "smaller farm policy." This program is more farmer-oriented and less volume and commodity-biased. It would consist of a targeted income maintenance program to keep individual or family incomes at a minimum level, regardless of the commodities produced. The plan is, in reality, a negative income tax plan.[121] Individual farmers with inadequate income would receive payments to bring their income up to a selected target. The minimum floor could be scaled by family size, location, and other factors, including the availability of other public assistance programs and alternative job opportunities.

This program would have administrative problems.[122] Its cost would be dependent on the level of the income floor, the number of participants and other program details.[123] Citizens paying for this program, but not entitled to such an income guarantee themselves, may find such a plan unfair and unsupportable.[124] Preferential treatment of poor farmers at the expense of

119. Commodity programs are output-oriented. The largest producers not only have the greatest farm income, but also receive the largest share of government payments. When their farm income is coupled with deficiency payments, these farmers have net incomes far above national averages.

120. PRICE SUPPORT PROGRAMS, *supra* note 14, at 38.

121. Calvin, Foster & Rausser, *supra* note 106, at 170. This is not a new idea. Economists and other interested observers have characterized the historical "farm problem" as the disadvantaged economic position of farmers. This notion once served as the single most important justification for state action to redistribute society's wealth to the agricultural sector.

122. A means-tested program may not be acceptable to many farm families accustomed to being paid on the basis of their production. Further, to define a "farm family" for the purposes of the program would itself be difficult. DIVERSITY IN FARMING, *supra* note 36, at 17. If benefits are based on some definition of a farmer instead of on production, there would be an incentive for non-farmers to try to qualify as farmers by buying small parcels of land and for farmers to divide up land among family members to increase family benefits. Additionally, calculating net income would present considerable difficulty. In contrast, with a production-based direct payment scheme, only total output and deficiency payment per unit of output need be determined. Calvin, Foster & Rausser, *supra* note 106, at 170. While there would be problems in developing, implementing, and operating such a program, experimental rural income-maintenance programs in the late 1960s and early 1970s demonstrated their feasibility. *See* U.S. DEP'T. OF HEALTH, EDUC. AND WELFARE, RURAL INCOME MAINTENANCE EXPERIMENT, SUM. REP. (1976).

123. Calvin, Foster & Rausser, *supra* note 106, at 170. The guaranteed income level would also have to be sufficiently low so as not to interfere with the incentive to produce efficiently.

124. Critics contend that former justifications for redistributing wealth to the farm sector are no longer relevant. For example, it used to take almost all of the productive output of U.S. farms to provide enough food and fiber to feed all Americans. Today, farmers are so productive that even without full production on our farms and ranches, the U.S. population is able to consume only 61% of all commodities sold. Eason, *Farm Problems: The Answer,* NATION BUS., May 1985, at 21. Thus, Americans no longer need to support all U.S. farms in order to insure abundant food supplies.

Others argue the term "poverty" for farmers has evolved from cash poor and economically disadvantaged into financially exposed. While critics of a targeted income maintenance program concede there are still poor farmers, they point out there are many more poor non-farmers not receiving government support based on their occupations. They conclude, as a method of transferring wealth to the poor, programs benefiting persons because they are farmers seem to offer only a means of keeping those in need tied to their poor farms. Calvin, Foster & Rausser, *supra* note 106, at 146.

equally distressed individuals does seem inequitable; however, even more unsupportable results occur under the current farm programs which distribute support payments on the basis of production volume. Under this proposal, any farmer could benefit in a bad year regardless of size or crop produced.[125]

Many justifications for supporting small farmers offset the criticisms of a targeted income maintenance scheme. Small farmers favorably affect economic activity in rural communities. Higher total cash receipts flowing to the farm sector support more local service businesses, and more farm families and workers purchase consumer goods and services from local merchants. Larger farms result in lower production costs, fewer farms, and less labor input, which tend to dampen local economic activity. Large scale operators often find it feasible and advantageous to go outside their rural community to deal directly with machinery manufacturers, feed and seed companies and major city banks.[126] Often, conglomerate farming results in absentee ownership of farmland which also contributes to the loss of local business activity and tax revenue needed to provide basic services to the entire community.[127]

Small farmers have not only made valuable social and economic contributions to rural communities, but have also historically provided society with an additional economic benefit—guaranteed continuity in agricultural output.[128] Large-scale enterprises generally make business decisions primarily on the basis of their impact on the rate of return to invested capital. The very large farms, already responsible for the majority of our country's agricultural production, will always play a role in American agriculture. Allowing them to become the primary source of the country's food, however, would make our food system overly susceptible to fluctuations in the market for investment capital. Should the rate of return drop substantially on a farm investment, the investor may cut back or even close down his operations without regard to the impact on the community or the food system. One commentator contends,

> With its relatively low variable costs, a high commitment of family labor and family-owned capital, and a capacity to defer costs, the family farm has a strong incentive to maintain output even if farm product prices are very low. Because of its ability to absorb economic errors and miscalculations, the family farm either made a great social contribution or has been inordinately exploited by society. It seems likely that many farm families will continue to work in the farm sector in the future. But their willingness and ability to defer production costs will diminish and society will lose some of the continuity that has characterized farming, as the U.S. increas-

125. Calvin, Foster & Rausser, *supra* note 106, at 170.

126. CONG. BUDGET OFF., PUBLIC POLICY AND THE CHANGING STRUCTURE OF AMERICAN AGRICULTURE 68 (1981) (Peter Emerson ed.). For an excellent discussion concerning the small farmer's impact on rural communities, see W. GOLDSCHMIDT, *As You Sow: Three Studies in the Social Consequences of Agribusiness,* (1978).

127. Abourezk, *Agriculture, Antitrust and Agribusiness: A Proposal for Federal Action,* 20 S.D.L. REV. 501 (1975).

128. Barkley, *A Contemporary Political Economy of Family Farming,* 58 AMER. J. OF AGRIC. ECON. 812-17 (1976).

ingly moves away from small-scale production units.[129]

CONCLUSION

Although the agrarian tradition weakens as fewer people have direct contact with farming, it retains an unseen and kind of mystical power over people. Since the time of Jefferson, the family farm has symbolized the most basic American values. The belief in farmers as good citizens and that the nation needs a strong agricultural component explains much of the support farmers enjoy in Washington. It is uncertain how long the modern, small commercial farmer can count on the national sympathy and support flowing from the Jeffersonian tradition, however, given the dramatic structural changes agriculture has undergone and the demonstrated ineffectiveness of traditional farm programs to achieve their policy objectives.[130] For Congress to justify spending fifty-two billion dollars over the next three years, it must account for these realities. Unfortunately, the 1985 farm bill containing modified versions of traditional farm programs does not.

The changes in agriculture indicate that pursuing an income stabilization policy rather than an income inhancement approach would lead to the least market distortion and the most equitable results. Programs concerned mainly with stabilizing incomes on the basis of production, however, do not offer much assistance to low-income farm families. Thus, the need exists for implementing a targeted income maintenance approach to assist these farmers.

*Joseph W. DeLave**

129. *Id.* at 812.

130. *The Next Generation, supra* note 5, at 40. As one commentator noted,

> The family farm concept is sancrosanct and its promotion and justification universal and timeless. Unfortunately, government income support programs, particularly the recent payment-in-kind program, have jeopardized the concept. There have been numerous reports . . . of individual farmers, land speculators and nonfarm corporations receiving PIK benefits of half a million dollars, others a million dollars or much more. A $500,000 subsidy to a family with perhaps $4 to $5 million of assets . . . is destructive to the interests of agriculture.

Id. at 40.

* B.A., University of Notre Dame, 1984; J.D. Candidate, Notre Dame Law School, 1987.